MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BAC3634 – CORPORATE ACCOUNTING 1

(All sections / Groups)

14 MARCH 2018
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** pages excluding the cover page with **FOUR (4)** Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks is shown at the end of each question.

3. Please write all your answers in the answer booklet provided.

QUESTION 1 (25 MARKS)

The draft statements of financial position as at 31 May 2017 are as follows:

	Jarvis RM'000	Evan RM'000	Ox RM'000
Assets			
Non-current assets			
Tangible assets	90,000	60,000	60,000
Investments in subsidiaries (cost)			
- Shares in Evan	90,000	-	-
- Shares in Ox	25,000	42,000	-
	205,000	102,000	60,000
Current assets	40,000	50,000	40,000
	245,000	152,000	100,000
Equity and liabilities			
Equity			
Ordinary shares RM1	100,000	50,000	50,000
Share premium	50,000	20,000	-
Retained profits	45,000	32,000	25,000
	195,000	102,000	75,000
Non-current liabilities			
12% loan	-	10,000	-
Current liabilities			
Payables	50,000	40,000	25,000
	245,000	152,000	100,000

Additional information:

a) Jarvis acquired 70% of the shares in Evan on 1 June 2012 when the balance on that company's retained profit was RM 8 million (credit). At the date of acquisition, the fair value of Evan's non-current assets was RM 10 million higher than its carrying amount with remaining useful life of 10 years.
b) Jarvis acquired 20% of the shares of Ox and Evan acquired 60% of the shares of Ox on 1 June 2014 when that company's retained profit stood at RM15 million.
c) There was 20% impairment of goodwill for Evan.
d) Evan has not paid for the interest.
e) Ox had sold to Jarvis inventories valued at RM 2 million at cost plus 25%. As at 31 May 2017, Jarvis had not yet sold 50% of these inventories.

Required:

Prepare the Consolidated Statement of Financial Position as at 31 May 2017 in accordance with the requirements of MFRS10 *Consolidated Financial Statements.* (25 marks)

(Total: 25 marks)

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QUESTION 2 (25 MARKS)

(A)"By issuing IFRS 10 *Consolidated Financial Statements* in May 2011, the International Accounting Standards Board (IASB) introduced new requirements on assessing control. IFRS 10 redefines "control" and provides extensive new guidance on applying the new definition"

("Under Control? A Practical Guide to IFRS 10." Aug. 2012).

The Malaysian Accounting Standards Board (MASB) issued MFRS 10 *Consolidated Financial Statements* in November 2011 which is equivalent to IFRS 10 Consolidated Financial Statements.

Required:
Describe the three elements of the new definition of control introduced in MFRS 10 *Consolidated Financial Statements.*

(5 marks)

(B) James Bhd bought 80% of the share capital of Bond Bhd for RM648,000 on 1 October 2014. On that date Jones Bhd's retained profit balance was RM360,000. The statements of financial position at 30 September 2017 are given below.

	James RM'000	**Bond RM'000**
Non-current assets	720	540
Investment in Bond	648	-
Current assets	740	740
	2,108	1,280
Ordinary shares	1,080	360
Retained profits-brought forward	612	540
Profit for the year	216	180
Current liabilities	200	200
	2,108	1,280

Additional information:
It is the group's policy to value the non-controlling interest at its proportionate share of the fair value of the subsidiary's identifiable net assets. Ignore taxation.

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Required:

In accordance to MFRS 10 *Consolidated Financial Statements,* prepare the consolidated statement of financial position as at 30 September 2017 in accordance to the requirements of MFRS10 *Consolidated Financial Statements* in each of the following two (2) circumstances.

i) James Bhd sells one quarter of its holding in Bond Co for RM320,000 on 30 September 2017, and retain control. No entry has been recorded for the sales in James Bhd. (10 marks)

ii) James Bhd sells one half of its holding in Bond Bhd for RM680,000 on 30 September 2017 and the remaining holding (fair value RM500,000) is to be dealt with as an associate. No entry has been recorded for the sales in James Bhd. (10 marks)

(Total: 25 marks)

QUESTION 3 (25 MARKS)

(A) Describe how an investor may exercise significant influence in an associate in accordance to the requirements of MFRS128 *Investments in Associates and Joint* Ventures. (5 marks)

(B) The following are the statements of profit or loss of Chen, Dol and Ena for the year ended 31 December 2017.

	Chen (RM)	**Dol (RM)**	**Ena (RM)**
Sales	155,000	95,000	40,000
Cost of sales	(50,000)	(40,000)	(12,000)
Gross profit	105,000	55,000	28,000
Operating expenses	(48,750)	(15,000)	(10,000)
Operating profit before tax	56,250	40,000	18,000
Service charges	2,500	-	-
Dividends from Dol	3,750	-	-
Profit before taxation	62,500	40,000	18,000
Taxation	(20,000)	(10,000)	(4,000)
Profit for the year	42,500	30,000	14,000
Retained profit on 1 January 2017	25,000	20,000	18,000
Dividends paid			
Ordinary	10,000	5,000	4,000
Cumulative preference-half year only	-	2,000	-

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Additional information:

a) On 1 January 2016, Chen acquired 75% of the issued ordinary shares of Dol for RM250,000 when the retained profit Dol was RM15,000.
b) On the acquisition date, the fair value of Dol's plant was RM50,000 higher than its carrying amount. The additional depreciation based on fair value is RM5,000 per annum.
c) Chen acquired 60% of Ena's ordinary shares on 1 April 2017.
d) Ena sold inventory amounting to RM10,000 to Chen in the post-acquisition period. Unrealised profit remaining in the closing inventory is RM2,000.
e) Chen charges Dol for professional services rendered. These fees are included in the statement of profit or loss of Chen and included in the operating expenses of Dol.
f) Assume that profits accrue evenly throughout the year.
g) The group recognises partial goodwill and as at 31 December 2016, it was impaired by RM5,000.

REQUIRED:

Prepare the consolidated statement of profit or loss for the year ended 31 December 2017 in accordance to the requirements of MFRS10 *Consolidated Financial Statements* and calculate the group retained profit as at 1 January 2017.

(20 marks)

(Total: 25 marks)

QUESTION 4 (25 MARKS)

Consolidated Statements of Financial Position of Nik Group as at 31 December

	2017	**2016**
	RM	**RM**
Property, plant and equipment	138,240	100,800
Investment in associate companies	16,640	15,360
Goodwill on consolidation	18,560	30,400
Inventory	38,400	28,800
Trade receivables	28,800	19,200
Bank	49,120	11,840
	289,760	206,400
Ordinary share capital	80,000	80,000
Retained profits	72,960	44,800
Non-controlling interest	36,800	17,600
10% debentures	32,000	25,600
Trade payables	68,000	38,400
	289,760	206,400

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Consolidated Statements of Profit or Loss for the year ended 31 December 2017

	2017 RM
Turnover	320,000
Cost of sales	(192,000)
	128,000
Expenses	(71,040)
Operating profit	56,960
Share of profits of associate companies	2,240
Profit before tax	59,200
Tax- Nik Bhd and subsidiaries	(8,960)
Profit after tax	50,240
Profit after tax attributable to:	
Equity holders of Nik Bhd	38,400
Non-controlling interest	11,840
	50,240

Additional information:

a) Dividends paid by Nik Bhd during the year were RM10,240.
b) The expenses for the year ended 31 December 2017 include depreciation charges on property, plant and equipment of RM13,120 and impairment of goodwill.
c) On 1 January 2017, Nik Bhd acquired an 80 percent interest in Ona Bhd, by paying cash RM48,000. The fair value of the net assets of Ona Bhd on 1 January 2017 is as follows:

	RM
Property, plant and equipment	32,000
Inventory	9,600
Trade receivables	8,000
Bank	11,200
Trade payables	4,800

Required:

i) Prepare the consolidated cash flow statement for the year ended 31 December 2017 in accordance with the requirements of MFRS 107 *Statement of Cash Flows* using the indirect method.

(15 marks)

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ii) Calculate for year 2017, Nik Bhd Group's:
   a. profit margin,
   b. return on assets,
   c. current ratio,
   d. quick ratio, and
   e. debt to equity ratio

(10 marks)

(Total: 25 marks)

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